

STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
OCTOBER 24, 2014, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board/Liaison to the SIB
Karol Riedman, Health Dept.
Mike Sandal, PERS Board
Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Bonnie Heit, Assistant to the Audit Committee
David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/CRO
Terra Miller Bowley, Suprv Audit Services
Dottie Thorsen, Internal Auditor

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 1:00 p.m., on Friday, October 24, 2014, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE OCTOBER 24, 2014, MEETING AS DISTRIBUTED.

AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART
NAYS: NONE
MOTION CARRIED

MINUTES:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE MAY 23, 2014, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, MR. SANDAL, MS. TERNES, MS. RIEDMAN, AND MS. DORWART
NAYS: NONE
MOTION CARRIED

INTRODUCTIONS:

Mr. Hunter welcomed Ms. Karol Riedman as a member of the SIB Audit Committee. Ms. Riedman is the Chief Audit Executive for the Office of Internal Audit of the North Dakota Department of Health.

Mr. Hunter also welcomed Ms. Terra Miller Bowley. Ms. Miller Bowley began her duties as RIO's Supervisor of Audit Services effective October 13, 2014.

OFFICER ELECTIONS:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO NOMINATE MS. DORWART AS CHAIR AND MR. GESSNER AS VICE CHAIR/SIB LIAISON FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2015.

AYES: MS. TERNES, MS. RIEDMAN, MR. SANDAL, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

AUDIT ACTIVITIES REPORT:

Ms. Thorsen updated the Audit Committee on audit activities for the period of July 1, 2013 - through June 30, 2014.

School District Compliance Audit Reports - As of June 30, 2014, 22 audits were completed (21 in compliance and 1 generally in compliance) with three audits and one not in compliance review in progress. Three districts who were found to be not in compliance in their previous audit were reviewed. These districts corrected the errors and no further review was required.

The Audit Division is in the third cycle of school district auditing with 40 left to be completed as of October 24, 2014.

Benefits Payments Audit Report - Ms. Thorsen reviewed deaths, purchase of service, refunds, long outstanding checks, and long term annuitants to determine that established policy and procedures were being followed by the Retirement Services Division. No exceptions were noted.

File Maintenance Audit Report - Ms. Thorsen tested quarterly changes made to TFFR member account data. Two exceptions were noted.

Year End Reports - Included in the Audit Activities Report was the Internal Audit Division's annual report on time.

The annual financial audit of RIO for the year ended June 30, 2014, is being finalized by CliftonLarsonAllen and will be presented to the Audit Committee at their November 21, 2014, meeting.

Executive Limitations Review - The Audit Committee agreed to forgo the 2013 Executive Limitations audit by the Audit Division because the Executive Director/CIO vacancy was not filled until December 2, 2013. The Executive Director has been working with staff to compile documentation in support of an Executive Limitations review for the calendar year ending 2014. Ms. Miller

Bowley is in the process of reviewing the information and gathering additional information to conduct the audit.

Staff will schedule a meeting with Ms. Dorwart to review the Executive Limitations Governance Policy Monitoring Summary prior to the November 21, 2014, meeting, to ensure adherence to all governance policies regarding the Executive Limitations audit. Ms. Miller Bowley will provide an update at the November 21, 2014, meeting.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE JULY 1, 2013 - JUNE 30, 2014, PERIOD.

AYES: MR. GESSNER, MS. RIEDMAN, MR. SANDAL, MS. TERNES, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ANNUAL REPORT TO SIB:

Mr. Hunter reviewed an annual summary of the Audit Committee's activities which will be presented to the SIB at their November 21, 2014, meeting.

Discussion was held on scheduling the Audit Committee's November meeting prior to the SIB's November 21, 2014, meeting to enable the Audit Committee time to review RIO's financial audit report for Fiscal Year 2014 with CliftonLarsonAllen prior to submitting it to the SIB at their November meeting. Staff will follow up with CliftonLarsonAllen and report back to the Audit Committee.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO APPROVE THE AUDIT COMMITTEE'S ANNUAL REPORT TO THE SIB.

AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

AUDIT PROGRESS REPORT:

Ms. Thorsen stated for the period of July 1, 2014, through October 24, 2014, four audits have been completed, two are in process, and the Williston not in compliance review is in progress. Ms. Miller Bowley is also conducting a review of Nesson.

Ms. Thorsen stated one quarter of the File Maintenance Audit and the Benefits Payment Audit were also completed during this time period.

GASB UPDATE:

Ms. Kopp updated the Audit Committee on GASB 67 & 68 implementation. RIO staff have been working closely with PERS, State Auditor's Office, CliftonLarsonAllen, BradyMartz, and Segal to develop plans for implementing the two new pension reporting standards. Ms. Kopp stated details and issues continue to emerge as the entities work through the implementation process and is confident the pension reporting standards will be implemented into RIO/TFFR's 2014 financial statements and the TFFR employers 2015 financial statements.

AUDIT PLANNING & PRIORITIES:

Mr. Hunter reviewed the Audit Division's audit plan through June 30, 2015. RIO staff and Ms. Dorwart recommended the Audit Division focus on the following three key objectives: new investment and governance related audit initiatives; TFFR employer compliance audits including a comprehensive risk assessment of RIO's existing audit program; and GASB 67 and 68 related implementation initiatives.

The Audit Committee determined they would not formulize a work plan through June 30, 2015, in order to enable Ms. Miller Bowley time to review and assess the current audit program and to develop a program for the July 1, 2015 through June 30, 2016, time period.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL TO APPROVE THE AUDIT PLANNING AND PRIORITIES MEMO STAFF AND MS. DORWART DATED OCTOBER 24, 2014,

AYES: MR. GESSNER, MR. SANDAL, MS. TERNES, MS. RIEDMAN, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

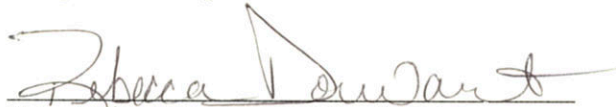
OTHER:

The next Audit Committee meeting is scheduled for November 21, 2014, at 1:00 p.m. at the State Capitol, Brynhild Haugland Room.

ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 2:35 p.m.

Respectfully Submitted:



Ms. Rebecca Dorwart, Chair
SIB Audit Committee



Bonnie Heit
Assistant to the Audit Committee